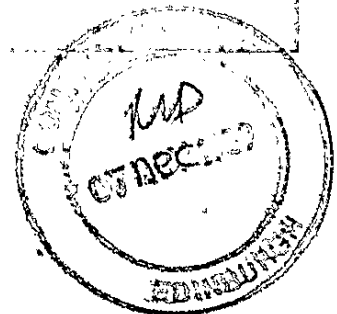


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NORTH BRITISH STEEL  
GROUP LIMITED

ACCOUNTS  
For the period ended  
31 DECEMBER 1988



Coopers  
& Lybrand

NORTH BRITISH STEEL GROUP LIMITED

REPORT OF THE DIRECTORS  
FOR THE 15 MONTHS ENDED 31 DECEMBER 1988

1 The directors submit their report and the audited accounts for the period from 4 October 1987 to 31 December 1988.

The profit and loss account and source and application of funds for 1988 cover the 15 months to 31 December 1988 (1987 - 12 months to 3 October 1987). The balance sheet for 1988 is at 31 December 1988 (1987 - 3 October 1987).

Results and dividends

2 Details of the loss for the financial period are set out in the profit and loss account on page 5. The directors do not recommend the payment of a dividend.

Principal activities and review of the business and future developments

3 The principal activities of the company continue to be as steel founders and engineers. North British Steel Group (Holdings) plc, the company's immediate holding company, was acquired by Aurora plc on 4 August 1988.

Aurora plc was acquired by Australian National Industries Limited "A.N.I.", which is now the ultimate holding company, on 8 December 1988.

On 31 December 1988, the trades, assets and liabilities of the fellow group companies listed below, were transferred to the company for consideration equal to the net book values of the assets and liabilities concerned.

Edgar Allen Foundry Limited  
Edgar Allen Developments Limited  
Turbo-Spray Limited formerly Volumair (UK) Limited  
Aurora Engineering Scotland Limited formerly Balbardie Limited

Although the reorganisation required of these companies is greater than envisaged, the directors are confident that, with added technical and management assistance from ANI's foundry division, the company will shortly return to profitable operations.

Tangible fixed assets

4 The movements in tangible fixed assets are set out in note 9 to the accounts.

NORTH BRITISH STEEL GROUP LIMITED

REPORT OF THE DIRECTORS  
FOR THE 15 MONTHS ENDED 31 DECEMBER 1988 (CONTINUED)

Directors

5 The following directors have held office during the whole of the period ended 31 December 1988, except as otherwise indicated:

R Russell	
W G Menzies	
J L Wilkie	(Resigned 24 November 1988)
D R Brammer	(Appointed 16 May 1988)
W D Morton	(Appointed 2 August 1988)
A L Wallis	(Appointed 2 August 1988)
K Mathieson	(Appointed 2 August 1988)
R I Thomson	(Appointed 12 December 1988)

W D Morton resigned on 26 January 1989. MJ Houghton and EA Brightmore were appointed directors on 26 January 1989 and 2 February 1989 respectively. M J Houghton resigned on 9 June 1989. P Dornan was appointed on 17 July 1989.

6 The undernoted directors in accordance with the Articles of Association retired and were duly re-elected at the annual general meeting held on 19 May 1989.

W G Menzies  
A L Wallis  
K Mathieson  
D R Brammer  
R I Thomson  
M J Houghton  
E A Brightmore

Directors' interests in shares

7 According to the register required to be kept by Section 325 of the Companies Act 1985, the only notifiable interests of the directors of the company at 31 December 1988 in the shares or debentures of the ultimate holding company, Australian National Industries Limited or its subsidiaries were as follows:-

	<u>At 31 December 1988</u>		<u>At 3 October 1987 (or subsequent date of appointment)</u>	
	<u>Fully paid</u>	<u>Options</u>	<u>Fully paid</u>	<u>Options</u>
Ordinary shares of 10p each in Aurora plc:				
K Mathieson	-	50,000	-	50,000

As permitted by Statutory Instrument the register does not include detailed shareholdings of directors who are also directors of the holding companies.

The options to subscribe for Ordinary shares of 10p each in Aurora plc have been granted at various dates and are not normally exercisable until three years after the grant of the option at a price of 70p per share.

NORTH BRITISH STEEL GROUP LIMITED

REPORT OF THE DIRECTORS  
FOR THE 15 MONTHS ENDED 31 DECEMBER 1988 (CONTINUED)

Employment of disabled persons

8 The company gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by a handicapped or disabled person. Where employees become disabled the company endeavours to continue to employ them provided there are duties which they can perform, bearing in mind the handicap or disability. As far as possible, training, career development and promotion is available to handicapped and disabled persons where this is in their own as well as the company's best interests.

Employee involvement

9 The company places considerable value on the involvement of its employees and has continued its practice of keeping them informed of matters affecting them as employees and on the various factors affecting the performance of the company.

Close company

10 The company is not a close company within the provisions of the Income and Corporation Taxes Act 1988 and there has been no change in this respect since 31 December 1988.

Auditors

11 A resolution to re-appoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

BY ORDER OF THE BOARD

  
Secretary

EDINBURGH,

REPORT OF THE AUDITORS TO THE MEMBERS OF  
NORTH BRITISH STEEL GROUP LIMITED

1 We have audited the accounts set out on pages 5 to 20 in accordance with approved Auditing Standards except that the scope of our work was limited by the matters referred to below.

2 In the period ended 31 December 1988 the company experienced problems in the operation of its accounting department which led to a breakdown in certain important accounting procedures. In our opinion during this period the company did not maintain proper accounting records as required by section 221 of the Companies Act 1985. Consequently, we have been unable to obtain all the information and explanations which we consider necessary for the purpose of our audit. The ownership of the company changed in August 1988, and by the financial year end the situation had been substantially rectified.

3 As more fully explained in note 14 provisions of £3,131,000 have been made in these accounts for the estimated costs which are expected to be incurred in connection with the reorganisation of the company's foundry operations, including the transfer to the company of the foundry business of a fellow subsidiary company. To the extent of approximately £1,500,000 these costs, which are shown in the profit and loss account as extraordinary items, represent provisions by the directors which are subject to a degree of uncertainty.

4 Subject to the matters explained in paragraph 2 above and any adjustments that may be required in resolving the uncertainties referred to in paragraph 3 above, in our opinion, the accounts give a true and fair view of the state of affairs of the company at 31 December 1988 and, of its loss and source and application of funds for the period then ended and comply with the Companies Act 1985.

*Coopers & Lybrand*

Chartered Accountants

EDINBURGH, 3 August 1989.

NORTH BRITISH STEEL GROUP LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE 15 MONTHS ENDED 31 DECEMBER 1988

	Notes	1988 £'000	1987 £'000
Turnover	2	12,587	10,856
Change in stocks of finished goods and in work in progress		486	(65)
Other operating income		-	18
		<hr/> 13,073	<hr/> 10,809
Raw materials and consumables		(4,045)	(3,363)
Other external charges		(3,361)	(2,538)
Staff costs	4(b)	(5,110)	(4,168)
Depreciation and other amounts written off tangible fixed assets	3(b)	(1,233)	(343)
Exceptional amounts written off on stocks and other current assets		(121)	-
Other operating charges		(1,206)	(1,176)
		<hr/> (2,003)	<hr/> (779)
Operating loss			
Income from other fixed asset investments	5	3	14
Interest payable and similar charges	6	(264)	(276)
		<hr/> (2,264)	<hr/> (1,041)
Loss on ordinary activities before taxation	3		
Tax credit on loss on ordinary activities	7	200	5
		<hr/> (2,064)	<hr/> (1,036)
Loss on ordinary activities after taxation			
Extraordinary (loss)/profit	8	(2,560)	824
		<hr/> (4,624)	<hr/> (212)
Loss for the period			

STATEMENT OF ACCUMULATED DEFICIT

Accumulated deficit at 4 October 1987	(758)	(546)
Transferred during the period	235	-
Loss for the period	(4,624)	(212)
	<hr/> (5,147)	<hr/> (758)
Accumulated deficit at 31 December 1988		

The notes on pages 9 to 20 form part of these accounts

Auditors' report page 4

NORTH BRITISH STEEL GROUP LIMITED

BALANCE SHEET - 31 DECEMBER 1988

		1988		1987	
	Notes	£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	9		6,541		3,345
Investments	10		125		125
			<u>6,666</u>		<u>3,470</u>
CURRENT ASSETS					
Stocks	11	2,030		1,271	
Debtors	12	6,328		2,720	
Cash at bank and in hand		19		2	
		<u>8,377</u>		<u>3,993</u>	
CREDITORS - amounts falling due within one year	13	(12,948)		(7,059)	
NET CURRENT LIABILITIES					
			<u>(4,571)</u>		<u>(3,066)</u>
Total assets less current liabilities			2,095		404
CREDITORS: amounts falling due after more than one year					
	13	(61)		(432)	
PROVISIONS FOR LIABILITIES AND CHARGES					
	14	(3,452)		(99)	
			<u>(3,513)</u>		<u>(531)</u>
			<u>(1,418)</u>		<u>(127)</u>
CAPITAL AND RESERVES					
Called up share capital	15		307		307
Revaluation reserve	16		3,422		89
Other reserves	16		-		235
Profit and loss account	16		(5,147)		(758)
			<u>(1,418)</u>		<u>(127)</u>

These accounts were approved by the board on 3rd August 1989

*K. Macdonald*  
*J. Brown* ) Directors

The notes on pages 9 to 20 form part of these accounts

Auditors' report page 4

NORTH BRITISH STEEL GROUP LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE 15 MONTHS ENDED 31 DECEMBER 1988

	<u>1988</u>		<u>1987</u>	
	£'000	£'000	£'000	£'000
<b>SOURCE OF FUNDS</b>				
Loss on ordinary activities before taxation		(2,264)		(1,041)
Extraordinary (loss)/profit before taxation		(2,836)		1,374
Adjustment for items not involving the movement of funds:				
Depreciation	1,233		656	
Loss/(profit) on sale of tangible fixed assets	1		(18)	
Charge to profit and loss account in respect of provisions for liabilities and charges	2,639		99	
Transfer of provisions from Edgar Allen Foundry Limited	813		-	
		<u>4,686</u>		<u>737</u>
Total (absorbed by)/generated from operations		(414)		1,070
Funds from other sources:				
Sale proceeds of tangible fixed assets		6		22
Total sources of funds		(408)		1,092
<b>APPLICATION OF FUNDS</b>				
Purchase of tangible fixed assets	1,103		381	
Bank loan repaid	355		-	
Taxation paid	-		550	
Decrease in creditors falling due after more than one year	371		732	
Liabilities and charges (other than deferred taxation)	99		-	
		<u>1,928</u>		<u>1,663</u>
Total application of funds		(2,336)		(571)
DECREASE IN WORKING CAPITAL				



NORTH BRITISH STEEL GROUP LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE 15 MONTHS ENDED 31 DECEMBER 1988 (CONTINUED)

	<u>1988</u>		<u>1987</u>	
	£'000	£'000	£'000	£'000
Made up as follows:				
Increase in stocks	759		65	
Increase in debtors, excluding deferred taxation	3,132		241	
Increase in creditors falling due within one year, excluding bank overdraft	(7,394)		(685)	
		(3,503)		(379)
Movement in net liquid funds:				
Cash at bank and in hand	17		1	
Bank overdraft	1,150		(193)	
		1,167		(192)
		(2,336)		(571)

Summary of the effect of the transfer of the businesses referred to in the Directors' Report:

	<u>£'000</u>		<u>£'000</u>
Assets acquired:-		Discharged by:	
Fixed assets	592	Group payables	1,909
Stock	816		
Debtors	1,974		
Cash at bank and in hand	18		
Creditors	(678)		
Provisions	(813)		
	<u>1,909</u>		<u>1,909</u>

NORTH BRITISH STEEL GROUP LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1988

1 Principal accounting policies

As in previous years, the accounts are prepared in accordance with the historical cost convention, including the revaluation of land and buildings and plant and equipment and on a going concern basis which assumes the continued financial support of the holding company, Aurora plc, which has given an undertaking to provide the appropriate support for the foreseeable future. The following is a summary of the more important accounting policies of the company. These policies have been applied consistently, except as noted below in respect of tangible fixed assets.

(a) Foreign Exchange

Assets and liabilities expressed in foreign currencies are stated at the exchange rates ruling at the balance sheet date or, where appropriate, at the rates of matching forward contracts or transactions. The exchange differences arising are reflected in the profit and loss account for the year.

(b) Tangible fixed assets

Since revaluation buildings are to be amortised over a period of 20 years. Previously cost or revalued amounts of buildings were amortised over 50 years. Freehold land is not depreciated. Plant and equipment is depreciated on the straight line method at rates expected to write off the cost or valuation of the assets concerned over their useful lives. The principal annual rates used for this purpose are:

	%
Plant and equipment	12.5
Motor vehicles	25
Fixtures and fittings	10

The company re-assessed these rates during the period to bring them into line with those used in the Aurora group. The changes increased the depreciation charge in the current period by approximately £270,000.

Regional development grants are deducted from the cost of the assets to which they relate. In previous years they have been included as a deferred credit and released to the profit and loss account over the expected life of the assets concerned.

(c) Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis. In the case of work in progress and finished goods, cost comprises direct expenditure together with production overheads calculated on the basis of a normal level of activity. Net realisable value is the value at which the stock and work in progress can be realised in the normal course of business. Provision is made for obsolescent, slow-moving and defective stocks.

NORTH BRITISH STEEL GROUP LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1988 (CONTINUED)

1 Continued

(d) Finance leases and hire purchase contracts

Certain items of plant and equipment are financed by leasing agreements that give rights approximating to ownership ("finance leases"). These are included in the balance sheet as fixed assets at cost less depreciation and the capital element of future rentals is treated as a liability. The interest element is charged to the profit and loss account over the period of the finance lease in proportion to the balance of capital repayments outstanding. Liabilities under hire purchase contracts are accounted for on a basis similar to that adopted for finance leases and are included in the balance sheet under that heading.

(e) Deferred taxation

Provision is made for deferred taxation under the liability method, at the rates of tax for the years in which the liabilities to taxation are expected to arise, except to the extent that any tax reduction can reasonably be expected to continue for the foreseeable future.

(f) Pension scheme arrangements

Payments are made to pension funds and charged in the accounts, based on actuarial advice. Pension funds are valued regularly by actuaries and no material deficiencies are indicated at 31 December 1988.

2 Turnover

Turnover represents the invoiced amount of goods and services during the period, stated net of trade discounts and value added tax.

Geographical analysis of turnover:

	<u>1988</u> £'000	<u>1987</u> £'000
United Kingdom	9,414	8,910
Other European countries	1,759	978
North America	218	462
Rest of the World	1,196	506
	<u>12,587</u>	<u>10,856</u>

NORTH BRITISH STEEL GROUP LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1988 (CONTINUED)

3 Loss on ordinary activities before taxation

(a) This is stated after charging or (crediting):

	<u>1988</u> £'000	<u>1987</u> £'000
Directors' remuneration for management, including pension contributions (note 4)	127	104
Loss/(profit) on disposal of tangible fixed assets	1	(18)
Auditors' remuneration	20	12
Amortisation of deferred government grants	-	(107)
Exceptional charges:		
Redundancy costs	57	91
Cost of participation in steel castings industry rationalisation scheme	-	313

(b) Depreciation and other amounts written off tangible fixed assets

	<u>1988</u> £'000	<u>1987</u> £'000
Current year depreciation	640	450
Deferred government grants released	-	(107)
Accelerated depreciation	593	-
	<u>1,233</u>	<u>343</u>

4 Information regarding directors and employees

(a) Particulars of the remuneration of directors, excluding pension contributions:

	<u>1988</u> £'000	<u>1987</u> £'000
Emoluments of the highest paid director	42	33
Number of other directors whose remuneration was within the ranges:		
£ Nil - £ 5,000	4	1
£10,001 - £15,000	-	1
£15,001 - £20,000	1	-
£25,001 - £30,000	-	2
£30,001 - £35,000	2	1

NORTH BRITISH STEEL GROUP LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1988 (CONTINUED)

4 Continued

(b) Employment costs of all employees, including executive directors:

	<u>1988</u> £'000	<u>1987</u> £'000
Gross wages and salaries	4,705	3,767
Employer's national insurance	371	401
Employer's pension contributions under the company's pension schemes	34	-
	<u>5,110</u>	<u>4,168</u>

(c) The average number of persons, including executive directors, employed by the company during the period is analysed below:

	<u>1988</u>	<u>1987</u>
Staff	102	110
Manual workers	269	284
	<u>371</u>	<u>394</u>

5 Income from other fixed asset investments

	<u>1988</u> £'000	<u>1987</u> £'000
Net rental income - external	3	14
	<u>-</u>	<u>-</u>

6 Interest payable and similar charges

	<u>1988</u> £'000	<u>1987</u> £'000
Bank loans, overdrafts and other loans repayable within five years	241	255
Finance lease contracts	22	21
Interest payable to group companies	1	-
	<u>264</u>	<u>276</u>

## NORTH BRITISH STEEL GROUP LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1988 (CONTINUED)

7 Tax credit on loss on ordinary activities

	<u>1988</u> £'000	<u>1987</u> £'000
The credit for taxation comprises:		
On the loss for the period:		
Group relief receivable at a rate of 35%	(200)	(38)
Advance Corporation tax surrendered by Group Companies but written off	-	33
	<u>(200)</u>	<u>(5)</u>

8 Extraordinary (loss)/profit

	<u>1988</u> £'000	<u>1987</u> £'000
Extraordinary income (gross):		
Return of company's pension fund surplus	-	1,374
Extraordinary charges (gross):		
Costs associated with the reorganisation of the company's foundry operations including £2,566,000 (Note 14) dealt with as provisions for liabilities and charges and £270,000 dealt with as adjustments to current assets	(2,836)	-
Extraordinary (charge)/income	<u>(2,836)</u>	<u>1,374</u>
Taxation on the above:		
Group relief	18	(350)
Deferred taxation	258	-
Extraordinary (loss)/profit	<u>(2,560)</u>	<u>824</u>

## NORTH BRITISH STEEL GROUP LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1988 (CONTINUED)

9 Tangible fixed assets

## (a) Summary of movements in the period

	Freehold Land and <u>Buildings</u> £'000	<u>Plant and Equipment</u> <u>Purchased</u> £'000	<u>Leased</u> £'000	<u>Total</u> £'000
Cost or valuation				
At 4 October 1987	1,246	3,289	367	4,902
Additions	14	407	-	421
Inter-group transfers	82	2,493	43	2,618
Disposals	-	(47)	-	(47)
Adjustment on revaluation	2,747	-	-	2,747
At 31 December 1988	4,089	6,142	410	10,641
At cost	-	3,158	410	3,568
At valuation -				
1984	-	2,984	-	2,984
1986	89	-	-	89
1988	4,000	-	-	4,000
	4,089	6,142	410	10,641
Depreciation				
At 4 October 1987	528	839	190	1,557
Charge for the period	34	559	47	640
Accelerated depreciation	28	534	31	593
Inter-group transfers	-	1,906	30	1,936
Disposals	-	(40)	-	(40)
Adjustment on revaluation	(586)	-	-	(586)
At 31 December 1988	4	3,798	298	4,100
Net book value				
At 31 December 1988	4,085	2,344	112	6,541
At 3 October 1987	718	2,450	177	3,345

NORTH BRITISH STEEL GROUP LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1988 (CONTINUED)

9 Continued

- (b) The directors consider that the historic cost of revalued land and buildings at 31 December 1988 amounted to approximately £1,253,000. The original cost of revalued plant and machinery cannot be established but is believed to be in excess of the revalued amount.
- (c) The 1984 and 1986 valuations represent professional valuations carried out on an open market existing use basis and the valuations were incorporated in the accounts in those years. The company's industrial land and specialised buildings were revalued as at 31 December 1988 by Knight, Frank & Rutley, Chartered Surveyors, on a depreciated replacement cost basis.

10 Investments

	<u>1988</u> £'000	<u>1987</u> £'000
Cost of shares in subsidiary company	125	125

There is one subsidiary company, Bonnington Castings Limited, which is wholly owned. Primrose & Company Limited is a wholly owned subsidiary of Bonnington Castings Limited. Both of these companies are dormant.

11 Stocks

	<u>1988</u> £'000	<u>1987</u> £'000
Raw materials and consumables	277	385
Work in progress	1,385	886
Finished goods and goods for resale	368	-
	<u>2,030</u>	<u>1,271</u>

In the directors' opinion, the replacement cost of stocks is not materially different from the balance sheet valuation.



NORTH BRITISH STEEL GROUP LIMITEDNOTES TO THE ACCOUNTS - 31 DECEMBER 1988 (CONTINUED)12 Debtors

## (a) Summary of debtors:

	<u>1988</u>	<u>1987</u>
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	4,660	2,676
Amounts owed by holding company and fellow subsidiary companies	651	-
Group relief receivable	405	-
Other debtors	49	23
Prepayments and accrued income	211	21
Deferred taxation (b)	352	-
	<u>6,328</u>	<u>2,720</u>

## (b) Summary of movements in the period:

	<u>Deferred Taxation</u>
	£'000
Balance at 4 October 1987	-
Credited to profit and loss account	258
Transfer of deferred taxation asset from Edgar Allen Foundry Ltd	94
	<u>352</u>
Balance at 31 December 1988	<u>352</u>

Deferred taxation has been included within debtors as group relief will be receivable in future accounting periods in connection with expenditure incurred since the period end.

Full details of provisions for deferred taxation are included at Note 14.

NORTH BRITISH STEEL GROUP LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1988 (CONTINUED)

13 Creditors

(a) Summary of creditors:

	<u>Note</u>	<u>Amounts falling due within one year</u>		<u>Amounts falling due after more than one year</u>	
		<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Bank and other loans - secured		-	355	-	325
- unsecured		141	141	-	-
Bank overdraft - secured		-	1,714	-	-
- unsecured		564	-	-	-
Obligations under finance leases and hire purchase contracts	(b)	73	60	53	107
Trade creditors	(c)	3,144	1,680	-	-
Amounts owed to own subsidiary companies		339	339	-	-
Amounts owed to holding company and fellow subsidiary companies		7,687	1,799	-	-
Amounts owed to fellow subsidiaries under finance lease contracts	(b)	1	-	8	-
Current taxation		3	-	-	-
Other taxes and social security costs		374	255	-	-
Other creditors		357	332	-	-
Accruals and deferred income		265	384	-	-
		<u>12,948</u>	<u>7,059</u>	<u>61</u>	<u>432</u>

NORTH BRITISH STEEL GROUP LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1988 (CONTINUED)

(b) Obligations under finance leases and hire purchase contracts:

	<u>Due after more than one year</u>			<u>Due within one year</u> £'000	<u>Total</u> £'000
	<u>Two to five years</u> £'000	<u>One to two years</u> £'000	<u>Sub- total</u> £'000		
External finance leases and hire purchase contracts:					
Capital element	14	39	53	73	126
Future finance charges	4	14	18	20	38
	<u>18</u>	<u>53</u>	<u>71</u>	<u>93</u>	<u>164</u>
Due to fellow subsidiaries under finance lease contracts:					
Capital element	-	8	8	1	9
Future finance charges	-	-	-	-	-
	<u>-</u>	<u>8</u>	<u>8</u>	<u>1</u>	<u>9</u>
Total future rentals at 31 December 1988	<u>18</u>	<u>61</u>	<u>79</u>	<u>94</u>	<u>173</u>
Total future rentals at 3 October 1987	<u>55</u>	<u>53</u>	<u>108</u>	<u>60</u>	<u>167</u>

(c) Trade creditors

Included in trade creditors are amounts totalling £2,515,000 due in respect of goods for which title does not pass until payment is made.

## NORTH BRITISH STEEL GROUP LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 1988 (CONTINUED)

14 Provisions for liabilities and charges

## (a) Summary of movements in the period:

	Balance at 4 October 1987 £'000	Charge to profit and loss account £'000	Applied £'000	Transferred from Edgar Allen Foundry Limited £'000	Balance at 31 December 1988 £'000
Provision for consequential costs	99	-	99	-	-
Provision for stock rectification costs	-	73	-	248	321
Provision for costs associated with the reorganisation of the company's foundry business (b)	-	2,566	-	565	3,131
	<u>99</u>	<u>2,639</u>	<u>99</u>	<u>813</u>	<u>3,452</u>

(b) Following the acquisition of the company by Aurora plc a decision was taken to reorganise the company's foundry operations, including the transfer to the company of the foundry business of Edgar Allen Foundry Limited, a fellow subsidiary of Aurora plc. Following this decision, provision has been made in these accounts for the estimated costs which are expected to be incurred in connection with this reorganisation. The directors are satisfied that the provisions have been prepared on a reasonable basis but they include approximately £1,500,000 which are subject to a degree of uncertainty.

(c) The potential liabilities to deferred taxation and the amounts provided in the accounts in accordance with the company's accounting policy described in note 1(e) are set out below:

	1988		1987	
	Total potential liability £'000	Provided in the accounts £'000	Total potential liability £'000	Provided in the accounts £'000
Accelerated capital allowances	455	233	1,045	1,045
Other timing differences	-	-	(77)	(77)
Potential taxation liabilities on surplus on revaluation of properties and deferred capital gains	1,234	-	-	-
	<u>1,689</u>	<u>233</u>	<u>968</u>	<u>968</u>
Less:				
Losses and charges	(455)	(233)	(867)	(867)
Advance corporation tax recoverable	(101)	-	(101)	(101)
	<u>1,133</u>	<u>NIL</u>	<u>NIL</u>	<u>NIL</u>

NORTH BRITISH STEEL GROUP LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1988 (CONTINUED)

15 Share capital

	<u>Authorised</u> <u>1988 and 1987</u> <u>£'000</u>	<u>Issued and</u> <u>fully paid</u> <u>1988 and 1987</u> <u>£'000</u>
Ordinary shares of £1 each	350	307

16 Reserves

	<u>Revaluation</u> <u>reserve</u> <u>£'000</u>	<u>Profit and</u> <u>Loss account</u> <u>£'000</u>	<u>Other</u> <u>Reserves</u> <u>£'000</u>
Balance at 4 October 1987	89	(758)	235
Transferred during period	-	235	(235)
Loss for the period	-	(4,624)	-
Arising on revaluation	3,333	-	-
Balance at 31 December 1988	3,422	(5,147)	NIL

17 Capital commitments

	<u>1988</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>
Capital expenditure contracted for but not provided in the accounts	272	167
Capital expenditure authorised but not contracted for	72	133
Authorised capital expenditure outstanding	344	300

18 Guarantees and other financial commitments

At 31 December 1988 the company had annual commitments under non-cancellable lease contracts in respect of plant and machinery for agreements all expiring during the next year of £42,000.

19 Ultimate holding company

In the opinion of the directors, the ultimate holding company is Australian National Industries Limited which is incorporated in New South Wales, Australia.